

# **FEBRUARY'S STIMULUS BILL KEEPS BONUS DEPRECIATION AND HIGHER EXPENSING IN PLACE FOR 2009.**



The Stimulus Bill that was signed into law in February keeps bonus depreciation and higher expensing in place through 2009. Both tax benefits expired at the end of 2008 but have been reinstated for purchases made in 2009.

**Higher Expense Allowance** – This tax benefit allows the purchaser of a horse to expense up to \$250,000 of the cost of a horse or of most other business property, even if the horse or other business property had been used previously. It need not be new. However, if the total purchases of all eligible property in 2009 reach \$800,000, the expense allowance goes down one dollar for each dollar spent on eligible property over \$800,000.

**Bonus First Year Depreciation** – This permits an owner to write off 50% of the cost of a horse purchased and placed into service in 2009 if the original use of the horse starts with the purchaser. The 50% write-off also applies to the cost of almost all other depreciable property that has a depreciation life of 20 years or less if the first use of the property starts with the purchaser. Regular depreciation is also taken on the property after the bonus depreciation has been subtracted.

To illustrate bonus depreciation and expensing, assume that in 2009, a business pays \$300,000 for two colts to be used for racing and \$50,000 for farm equipment, bringing total purchases to \$350,000. The young colts had never been raced or used for any other purpose before the purchase and the farm equipment was brand new. The business would be able to expense \$250,000 (as explained above), deduct another \$50,000 of bonus depreciation (50% x the \$100,000 remaining balance), and take regular depreciation on the \$50,000 balance. This could amount to a total deduction in year one of as much as \$312,500 of the cost of the two colts and the equipment.

Thomas A. (Tad) Davis, Davis & Harman LLP  
1455 Pennsylvania Avenue, NW, Suite 1200, Washington, DC 20004  
(202) 347-2230  
tadavis@davisharman.com

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